

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 SP-02 USIA-06 AID-05
NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 AGRE-00 INT-05 FEA-01 L-03 H-01
PA-01 PRS-01 ITC-01 OIC-02 IGA-02 IO-13 PM-04
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FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 2900
INFO USMISSION OECD PARIS

C O N F I D E N T I A L NEW DELHI 5823

E.O. 11652:
TAGS: ETRD CIEC EGEN
SUBJECT: US VIEWS ON CIEC: TRANSFER OF RESOURCES AND COMMODITIES

REF: STATE090658, 090659

1. SUMMARY. CHARGE MADE ORAL PRESENTATION OF POINT MADE
IN REF TELS, AND LEFT NON-PAPER WHILE MINISTER OF FINANCE
H. M. PATEL, AND WITH V.K.AHUJA, SECRETARY, MEA AND
LEADER OF INDIAN DELEGATIIN TO CIEC. COMMENTS FOLLOWS.
END SUMMARY.

2. IN CALL ON V.K. AHUJA, CHAGE WENT OVER IN DETAIL US
VIEWS ON FORTHCOMING CIEC AS STATED IN REF TELS. AHUJA
WAS DEPARTING SAME EVENING FOR CIEC MEEETING IN PARIS.

3. AHUJA'S RESPONSE LARGELY FOLLOWED G-19 POSITION ON
VARIOUS ISSUES RAISED BUT HE REITERATED CLEARLY THAT INDIA'S
LONG STANDING PRIORITY IN CIED WAS THE TRANSFER OF RESOURCES
ISSUE. HE RECOGNIZED ACTIONS ALREADY TAKEN BY NEW US
ADMINISTRATION IN THIS REGARD AS BEING STEPS IN RIGHT DIRECTION
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WHICH WERE APPRECIATED BY INDIA.

4. HE THEN COMMENTED ON SEVERAL POINTS RAISED BY CHARGE.
NOTHING WOULD HAVE GREATER IMPACT ON ALL LDCS, HE SAID,
THEN A COMMITMENT BY THE US AT CIED TO ACCEPT 0.7 PERCENT ODA
TARGET FOR RESOURCE TRANSFER BY 1980. NOT ONLY WOULD IT
PERMIT LDCS TO PLAN THERI DEVELOPMENT MORE FFECTIVELY, BUT

WOULD HAVE GREAT IMPACT ON OTHER COUNTRIES SUCH AS GERMANY AND JAPAN TO FOLLOW SUIT.

5. FOR INDIA, HE SAID, THIS WOULD PERMIT AN INCREASE IN SAVINGS FROM PRESENT LEVEL OF 14.5 PERCENT TO ABOUT 15 PERCENT, AND THIS IN TURN WOULD HAVE IMPACT FAVORABLY ON OVERALL GROWTH.

6. ON DEBT PROPOSALS, HE WAS DISTRESSED THAT US REMAINED INFLEXIBLE ON THIS ISSUE. THIS WAS AN IMPORTANT ISSUE FOR ALL LDCS. FOR INDIA, HE SAID, GOI HAD DONE MUCH BORROWING IN EARLY YEARS ON MUCH HARSHER TERMS THAN NOW OFFERED BY IDA. ITS HOPE, THEREFORE, WAS TO CONVERT THESE OLDER, HARSHER DEBTS, TO PRESENT IDA TERMS. INDIA HAD NEVER DEFAULTED ON ANY LOANS NOR HAD IT EVER REQUESTED DEBT RESCHEDULING BECAUSE THE COUNTRY WAS IN FINANCIAL CRISIS. ITS REQUEST WERE AND ALWAYS HAD BEEN BASED ON DEBT RESCHEDULING AS A DEVELOPMENTAL DEVICE HAVING THE MOST IMMEDIATE IMPACT ON AVAILABLE RESOURCES. THESE TWO POINTS, HE SAID, A COMMITMENT TO TRANSFER 0.7 PERCENT ODA AND DEBT RESCHEDULING WOULD BOOST INDIA'S GROWTH RATE FROM ITS PRESENT AVERAGE LEVEL OF 3.5 PERCENT TO 5 OR 6 PERCENT.

7. ON COMMODITIES HE HOPED THE US WOULD BE MORE FLEXIBLE ON COMMON FUND. A POLITICAL COMMITMENT TO ACCEPT PRINCIPLE OF FUND WOULD DO MUCH TO MOVE INDIVIDUAL COMMODITY NEGOTIATIONS ALONG MORE RAPIDLY. HE POINTED OUT THAT SOME COMMODITY NEGOTIATIONS HAD BEEN IN PROGRESS FOR YEARS, AND WOULD LIKELY TAKE YEARS MORE UNLESS SOME COMMON FINANCIAL RESOURCES WERE DEFINITELY TO BECOME AVAILABLE FOR SUPPORTING INDIVIDUAL

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AGREEMENTS. HE DID NOT EXPECT ANY DECISIONS ON COMMODITIES AT CIEC BUT HOPED FOR AN ENDORSEMENT OF THE PRINCIPLE OF A COMMON FUND SO THAT DISCUSSION COULD CONTINUE ON COMMODITIES UNDER UNCTAD.

8. AHUJA THEN DISCUSSED ISSUE OF PRESERVATION OF PURCHASING POWER FOR COMMODITY EXPORTERS. HE REFERRED TO THE PROBLEM IN TERMS OF OPEC COUNTRIES. FOR SOME, HE SAID, SUCH AS IRAN AND ALGERIA, INCOME WAS USED IMMEDIATELY FOR DEVELOPMENT. FOR OTHERS SUCH AS SAUDI ARABIA AND KUWAIT, LARGE INCOMES COULD NOT BE ABSORBED IMMEDIATELY AND THERE WAS LITTLE INCENTIVE, THEREFORE, TO MAINTAIN HIGH LEVELS OF PRODUCTIONS. SOME SOLUTION WOULD HAVE TO BE FOUND TO PRESERVE VALUE OF INCOME FOR THESE LATTER GROUP OF COUNTRIES.

9. HE FELT ON ENERGY ISSUE, EMPHASIS ON COOPERATION WAS ONE IN WHICH INDIA AGREED AND SO THERE WERE NO MAJOR DIFFERENCES THERE. . FYI. INDIA IS NOT MEMBER ENERGY COMMISSION UNDER CIEC.

10. HE COMPLETED HIS COMMENTS BY STATING THAT G-19 DID NOT EXPECT FINAL SOLUTIONS AT CIEC. COMMON FEELING, HOWEVER, WAS THAT IF IT WAS OBVIOUS THAT NO SIGNIFICANT PROGRESS HAD BEEN MADE, G-19 WOULD NOT DISGUISE A FAILURE, BUT WOULD PREFER STATE CLEARLY THAT OBJECTIVE HAD NOT BEEN REACHED.

11. IN CALL ON MINISTER FINANCE H.M. PATEL, CHARGE GAVE BRIEFER PRESENTATION WITH EMPHASIS ON EFFECTS STRONG DISAGREEMENTS AT CIED WOULD HAVE ON CONGRESSIONAL SUPPORT FOR CURRENT IDA REPLENISHMENT. PATEL WAS LEAVING NEXT DAY FOR TALKS IN WASHINGTON WHERE IDA V REPLENISHMENT WOULD BE HIS PRINCIPAL CONCERN. PATEL MADE NO COMMENTS BUT PROMISED READ NON-PAPER LEFT WITH HIM BY CHARGE. SCHNEIDER

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Message Attributes

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